



Baton Rouge, Louisiana

FINANCIAL REPORT

December 31, 2011



Baton Rouge, Louisiana

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INDEPENDENT AUDITORS' REPORT

Board of Directors
United Methodist HOPE Ministries, Inc.
Baton Rouge, Louisiana

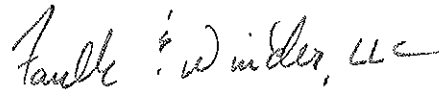
We have audited the accompanying statement of financial position of **UNITED METHODIST HOPE MINISTRIES, INC.** (a not-for-profit organization) (HOPE Ministries) as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of HOPE Ministries' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from HOPE Ministries' 2010 financial statements and, in our report dated June 21, 2011, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **UNITED METHODIST HOPE MINISTRIES, INC.** as of December 31, 2011, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 6, 2012, on our consideration of **UNITED METHODIST HOPE MINISTRIES, INC.**'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information on page 16 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements; and, in our opinion, such information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "Faulk & Winder, LLC".

Certified Public Accountants

Baton Rouge, Louisiana
June 6, 2012

UNITED METHODIST HOPE MINISTRIES, INC.

Baton Rouge, Louisiana

STATEMENT OF FINANCIAL POSITION

December 31, 2011
(with comparative amounts for 2010)

ASSETS			
		<u>2011</u>	<u>2010</u>
CURRENT			
Cash	\$	83,485	\$ 63,523
Accounts receivable		105,363	114,710
Prepaid insurance		<u>10,617</u>	<u>12,586</u>
Total current assets		199,465	190,819
INVESTMENTS, net		24,541	24,737
PROPERTY, net		<u>299,234</u>	<u>299,299</u>
Total assets	\$	<u>523,240</u>	<u>\$ 514,855</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	<u>13,195</u>	<u>\$ 8,320</u>
NET ASSETS (AS RESTATED)			
Unrestricted		147,401	178,442
Temporarily restricted		220,644	186,093
Permanently restricted		<u>142,000</u>	<u>142,000</u>
Total net assets		<u>510,045</u>	<u>506,535</u>
Total liabilities and net assets	\$	<u>523,240</u>	<u>\$ 514,855</u>

The accompanying notes to financial statements
are an integral part of this statement.

UNITED METHODIST HOPE MINISTRIES, INC.

Baton Rouge, Louisiana

STATEMENT OF ACTIVITIES

For the year ended December 31, 2011

(with comparative amounts for 2010)

	2011				2010
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
PUBLIC SUPPORT AND REVENUE					
Grants	\$ 375,350	\$ 96,500	\$ -	\$ 471,850	\$ 380,409
Contributions:					
Community	66,359	-	-	66,359	103,601
Individual	59,472	-	-	59,472	83,959
Other:					
In-kind	533,641	-	-	533,641	512,024
Social enterprise	8,810			8,810	26,565
Investment	(195)	-	-	(195)	2,165
Rental and other	25,639	-	-	25,639	26,118
	1,069,076	96,500	-	1,165,576	1,159,278
Net assets released from restrictions	61,949	(61,949)	-	-	-
Total public support and revenue	1,131,025	34,551	-	1,165,576	1,159,278
EXPENSES					
Program services	1,080,552	-	-	1,080,552	990,742
Fundraising	3,760	-	-	3,760	27,016
Management and general	77,754	-	-	77,754	71,780
Total expenses	1,162,066	-	-	1,162,066	1,089,538
Increase (decrease) in net assets	(31,041)	34,551	-	3,510	69,740
NET ASSETS (AS RESTATED)					
Beginning of year	178,442	186,093	142,000	506,535	436,795
End of year	\$ 147,401	\$ 220,644	\$ 142,000	\$ 510,045	\$ 506,535

The accompanying notes to financial statements
are an integral part of this statement.

UNITED METHODIST HOPE MINISTRIES, INC.

Baton Rouge, Louisiana

STATEMENT OF CASH FLOWS

For the year ended December 31, 2011

(with comparative amounts for 2010)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 3,510	\$ 69,740
Adjustments for non-cash items:		
Depreciation	6,466	6,284
Unrealized loss (gain) on investments	1,394	(1,018)
Change in operating assets and liabilities:		
Receivables and other assets	11,316	(48,168)
Accounts payable and other liabilities	<u>4,875</u>	<u>533</u>
Net cash provided by operating activities	<u>27,561</u>	<u>27,371</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property	(6,401)	(1,010)
Purchase of investments	<u>(1,198)</u>	<u>(1,148)</u>
Net cash used by investing activities	<u>(7,599)</u>	<u>(2,158)</u>
Net increase in cash	19,962	25,213
CASH		
Beginning of year	<u>63,523</u>	<u>38,310</u>
End of year	<u><u>\$ 83,485</u></u>	<u><u>\$ 63,523</u></u>

The accompanying notes to financial statements
are an integral part of this statement.

UNITED METHODIST HOPE MINISTRIES, INC.

Baton Rouge, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

United Methodist HOPE Ministries, Inc. (HOPE Ministries) is a church affiliated non-profit organization working with transitionally homeless families, and impoverished individuals in south Louisiana to help them become self-sufficient, enhance work and education possibilities, and become equipped to make sound decisions and solve problems. HOPE Ministries funds its mission through contributions and grants from various organizations and individuals in south Louisiana.

Basis of presentation

HOPE Ministries prepares its financial statements on the accrual basis of accounting. The significant accounting policies are described below to enhance the usefulness of the financial statements.

HOPE Ministries reports information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The statement of activities presents expenses of HOPE Ministries functionally by program services, fundraising, and management and general.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with HOPE Ministries' financial statements for 2010, from which the summarized information was derived.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Estimates are used primarily when accounting for the allowance for doubtful accounts, depreciation, prepaid assets, accrued liabilities and in-kind revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax status

HOPE Ministries qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code; therefore, the financial statements have no provision for federal and state income tax.

HOPE Ministries follows FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management has determined that there is no impact to the financial statements as a result of ASC 740-10. HOPE Ministries' open audit periods are 2008 through 2011.

Net assets

Unrestricted net assets represent resources over which the Board of Directors has discretionary control and are used to fund operations of HOPE Ministries in accordance with its bylaws.

Temporarily restricted net assets are contributions and grants restricted for various purposes. During 2011, contributions of \$57,513 were transferred to unrestricted net assets as restrictions were satisfied.

Permanently restricted net assets are comprised of a building and land that were donated to HOPE Ministries by the Louisiana Annual Conference of the United Methodist Church. The property cannot be sold and is to revert to the Louisiana Annual Conference of the United Methodist Church if HOPE Ministries ceases to exist.

Cash and cash equivalents

HOPE Ministries considers all highly liquid investments, money market funds and certificates of deposit with a maturity of three months or less at the date of acquisition to be cash equivalents. There were no cash equivalents at December 31, 2011.

Investments

Investments have been recorded at market value, with the amount of unrealized gain or loss recorded in the statement of activities. The investments are pooled funds maintained by the United Methodist Foundation of Louisiana (UMFL) in a balanced fund that is invested in a diversified portfolio of domestic and international stocks and bonds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (continued)

FASB ASC 810, *Fair Value Measurements*, establishes a framework for measuring fair value through a hierarchy that prioritizes the sources of pricing information (inputs) to valuation techniques used for measurement. The highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 810 are described as follows:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that HOPE Ministries has the ability to access.

Level 2 – Inputs including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs that are unobservable and significant to the fair value measurement.

Investments in equity securities with readily determinable fair values are recorded at fair value using level 1 inputs. Unrealized gains and losses are recorded in current year operations as increases or decreases in net assets. Dividend, interest, and other investment income are recorded as an increase in net assets.

Accounts receivable

Accounts receivable are recorded at cost, net of an allowance for doubtful accounts. Management believes all accounts are collectible; therefore, an allowance has not been recorded at December 31, 2011. HOPE Ministries does not require collateral for its receivables, and there were \$40,071 in receivables over 90 days past due at December 31, 2011.

Property and depreciation

Property is stated at cost, or fair market value if donated, and depreciated over the estimated useful lives using the straight-line method for values in excess of \$500. Maintenance and repairs expenditures are expensed as incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Vacation and sick leave

Vacation leave is earned at varying rates for four to five weeks per year depending on the length of service. A maximum of 26 days of unused vacation leave may be carried over at December 31. Vacation leave at December 31, 2011, was \$2,858, and is included in accrued liabilities.

Fair value of financial instruments

The carrying value of receivables, prepaid insurance, accounts payable and accrued liabilities approximates fair value due to the short-term maturity of these instruments. None of these financial instruments are held for trading purposes.

Grant revenue

HOPE Ministries receives grants to support their activities as well as grants restricted for specific purposes. Restricted grants that have not been fully expended at year-end are classified as temporarily restricted net assets.

Concentrations of credit risk

Financial instruments which subject HOPE Ministries to concentrations of credit risk consist primarily of investments in money market funds and mutual funds. HOPE Ministries typically maintains cash and temporary investments in local banks that may, at times, exceed the FDIC limits; however, management believes the risk is limited.

In-kind contributions

The value of contributed goods and services has been recognized at the fair market value of the benefit received. HOPE Ministries received \$533,641 as in-kind contributions during 2011, which included \$420,900 in contributed food and \$112,741 in contributed services.

Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing these skills, and would typically be purchased if not provided by donation.

Advertising

Advertising expenses are expensed as incurred. Advertising expenses during 2011 were \$1,647.

NOTE 2 - INVESTMENTS

Investments, with a cost of \$30,933 and fair value of \$24,541, were held in the UMFL Balanced Fund.

Investment loss is comprised of the following:

	<u>Amount</u>
Interest	\$ (1,199)
Unrealized loss	<u>1,394</u>
	<u>\$ 195</u>

NOTE 3 - ACCOUNTS RECEIVABLE

At December 31, 2011, accounts receivable were as follows:

	<u>Amount</u>
East Baton Rouge City/Parish	\$ 59,113
Huey & Angelina Wilson Foundation	25,000
First United Methodist Church	6,250
First United Methodist Church - Denham Springs	<u>15,000</u>
	<u>\$ 105,363</u>

NOTE 4 - PROPERTY

At December 31, 2011, property is as follows:

<u>Description</u>	<u>Estimated Service Life</u>	<u>Amount</u>
Building	39 years	\$ 173,000
Equipment	5 years	41,685
Furniture and fixtures	7 years	7,433
Land	-	<u>142,000</u>
		364,118
Less accumulated depreciation		<u>(64,884)</u>
		<u>\$ 299,234</u>

Depreciation expense was \$6,466 for 2011.

NOTE 5 - SIGNIFICANT SOURCES OF REVENUE

The majority of 2011 support was received from contributors and granting agencies from the Baton Rouge area. East Baton Rouge City/Parish contributed approximately 35% of total revenue for 2011. Additionally, 48% of the donated food for distribution through the Food Pantry program was donated by the Greater Baton Rouge Food Bank.

NOTE 6 - OPERATING LEASE

In 2011, HOPE Ministries received rental income of \$24,000. The lease is through March 2014, but is cancelable by either party.

NOTE 7 - PRIOR PERIOD ADJUSTMENT

During 2006, a building and land (see Note 4) were contributed to HOPE Ministries. The property contributions were recorded at fair market value as an increase in permanently restricted net assets; however, during 2011 it was determined that the building should have been recorded as a temporarily restricted net asset, with a corresponding release of temporarily restricted net assets for the annual depreciation. The land will remain permanently restricted. The effect on net assets is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
December 31, 2010, as originally stated	\$ 159,035	\$ 32,500	\$ 315,000	\$ 506,535
Reclassification of contributed building, and accumulated depreciation	<u>19,407</u>	<u>153,593</u>	<u>(173,000)</u>	<u>-</u>
December 31, 2010, as restated	<u>\$ 178,442</u>	<u>\$ 186,093</u>	<u>\$ 142,000</u>	<u>\$ 506,535</u>

NOTE 8 - SUBSEQUENT EVENTS

In preparing these financial statements, HOPE Ministries has evaluated events and transactions for potential recognition and disclosure the date of the auditors' report, which is the date the financial statements were available to be issued.

Special Independent Auditors' Reports

UNITED METHODIST HOPE MINISTRIES, INC.
Baton Rouge, Louisiana

December 31, 2011



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
United Methodist HOPE Ministries, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of **UNITED METHODIST HOPE MINISTRIES, INC.** (a not-for-profit organization) (HOPE Ministries) as of and for the year ended December 31, 2011, and have issued our report thereon dated June 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered HOPE Ministries' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HOPE Ministries' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of HOPE Ministries' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether HOPE Ministries' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

HOPE Ministries' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit HOPE Ministries' response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Board of Directors, management, state and federal granting agencies, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.


Certified Public Accountants

Baton Rouge, Louisiana
June 6, 2012

UNITED METHODIST HOPE MINISTRIES, INC.

Baton Rouge, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2011

A) SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of United Methodist HOPE Ministries, Inc.
2. There is one internal control finding that is described in Item 2011-1.

B) FINDING - FINANCIAL STATEMENT AUDIT

2011-1 PREPARATION OF FINANCIAL STATEMENTS

Observation: HOPE Ministries' relies on its auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, we cannot be considered part of HOPE Ministries' internal control structure. The design of the internal control structure does not otherwise include procedures to prevent or detect a material misstatement relating to the preparation and reporting of the external financial statements.

Recommendations: Management has determined that the cost of implementing such controls would not represent prudent use of available resources and is satisfied with using its auditing firm to assist in preparation of the external financial statements; therefore, no change is recommended. However, this matter will continue to be reported.

Management's corrective action plan: Management intends to continue using the auditing firm to prepare the external financial statements and related footnote disclosures.

UNITED METHODIST HOPE MINISTRIES, INC.
Baton Rouge, Louisiana

SCHEDULE OF FUNCTIONAL EXPENSES

For the year ended December 31, 2011
(with comparative amounts for 2010)

	2011					2010		
	Program Services					Supporting Services		
	Family Mentoring	Food Pantry	Fund Development	Getting Ahead	Social Enterprise	Fundraising	Management and General	Total
EXPENSES								
Programming	\$ 114,788	\$ 516,977	\$ -	\$ 26,173	\$ -	\$ -	\$ 10,892	\$ 668,830
Salaries	103,205	41,634	47,739	20,598	46,625	3,760	33,840	297,401
Professional fees	13,295	4,994	14,015	1,694	3,419	-	3,377	40,794
Other	5,610	2,069	11,613	461	10,433	-	6,751	36,937
Payroll taxes	8,360	3,298	4,248	1,638	3,825	-	3,190	24,559
Insurance	7,677	7,677	2,194	1,097	1,097	-	2,344	22,086
Employee benefits	5,423	6,596	2,026	899	3,129	-	574	18,647
Occupancy	2,815	2,815	782	469	7,975	-	782	15,638
Computer maintenance and service	232	87	238	29	917	-	11,611	13,114
Facility maintenance	3,230	3,309	919	472	1,604	-	1,037	10,571
Depreciation	2,263	2,263	647	323	323	-	647	6,466
Telephone	1,008	832	238	119	648	-	1,062	3,907
Professional development	323	-	35	-	1,111	-	1,647	3,116
Total expenses	\$ 268,229	\$ 592,551	\$ 84,694	\$ 53,972	\$ 81,106	\$ 3,760	\$ 77,754	\$ 1,162,066
								\$ 1,089,538

(See Independent Auditors' Report)